

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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DEBORAH DONOGHUE,	:	07 CIV. 8550 (L.S.)
	:	
Plaintiff,	:	
	:	
- against -	:	<u>ANSWER OF LOCAL.COM</u>
	:	<u>TO CROSS-CLAIM</u>
LOCAL.COM CORPORATION and	:	
HEARST COMMUNICATIONS, INC.,	:	
	:	
Defendants.	:	
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HEARST COMMUNICATIONS, INC.,	:	
	:	
Cross-claimant,	:	
	:	
- against -	:	
	:	
LOCAL.COM CORPORATION,	:	
	:	
Cross- defendant.	:	
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Nominal defendant and cross-defendant Local.com Corporation ("Local.com"), by its undersigned attorneys, Kramer Levin Naftalis & Frankel LLP, answers the cross-claim of defendant Hearst Communications, Inc. ("Hearst") as follows:

1. Local.com admits the allegations contained in paragraph 1 of the cross-claim.
2. Local.com denies the allegations contained in paragraph 2 of the cross-claim which purport to excerpt or summarize the Agreement and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.
3. Local.com admits the allegations contained in paragraph 3 of the cross-claim.

4. Local.com denies the allegations contained in paragraph 4 of the cross-claim which purport to excerpt or summarize the Agreement and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.

5. Local.com lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 5 of the cross-claim.

6. Local.com admits that it approached Hearst regarding a waiver of certain provisions of the Agreement, denies knowledge or information sufficient to form a belief as to the allegations relating to Hearst's prior knowledge or state of mind, and denies the remaining allegations of paragraph 6 of the cross-claim which purport to excerpt or summarize the Agreement and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.

7. Local.com denies the allegations contained in paragraph 7 of the cross-claim to the extent they purport to set forth a legal conclusion with regard to communications between Local.com and Hearst, except admits that the parties discussed reducing the exercise price of the Warrants in connection with obtaining a waiver of certain provisions of the Agreement.

8. Local.com lacks knowledge or information sufficient to form a belief as to the allegations contained in paragraph 8 of the cross-claim regarding Hearst's state of mind, denies the allegations to the extent they purport to describe the final agreement reached between the parties, and respectfully refers the Court to the full text of the Agreement and Consent for a complete statement of their terms and provisions.

9. Local.com admits the allegations of paragraph 9 of the cross-claim.

10. Local.com denies the allegations contained in paragraph 10 of the cross-claim which purport to excerpt or summarize the Consent and respectfully refers the Court to the full text of the document for a complete statement of their terms and provisions.

11. Local.com denies the allegations contained in paragraph 11 of the cross-claim which purport to excerpt or summarize the Consent and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.

12. Local.com denies the allegations contained in paragraph 12 of the cross-claim which purport to excerpt or summarize the Consent and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.

13. Local.com denies the allegations contained in paragraph 13 of the cross-claim which purport to excerpt or summarize documents and respectfully refers the Court to the full text of the documents for a complete statement of their terms and provisions.

14. Local.com admits the allegations contained in paragraph 14 of the cross-claim.

15. Local.com denies the allegations contained in paragraph 15 of the cross-claim.

16. Local.com lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 16 of the cross-claim, but respectfully refers the Court to the complaint filed by Deborah Donoghue in this action (the "Complaint").

17. Local.com denies the allegations contained in paragraph 17 of the cross-claim which purport to excerpt or summarize the Complaint and respectfully refers the Court to the full text of the document for a complete statement of its allegations.

18. Responding to paragraph 18 of the cross-claim, Local.com repeats and realleges, as fully as if here set forth at length, their responses to the allegations that are incorporated by reference in paragraph 18 of the cross-claim.

19. Local.com denies the allegations of paragraph 19 of the cross-claim.

20. Local.com denies the allegations of paragraph 20 of the cross-claim.

21. Responding to paragraph 21 of the cross-claim, Local.com repeats and realleges, as fully as if here set forth at length, their responses to the allegations that are incorporated by reference in paragraph 21 of the cross-claim.

22. Local.com denies the allegations of paragraph 22 of the cross-claim.

23. Local.com denies the allegations of paragraph 23 of the cross-claim.

24. Responding to paragraph 24 of the cross-claim, Local.com repeats and realleges, as fully as if here set forth at length, their responses to the allegations that are incorporated by reference in paragraph 24 of the cross-claim.

25. Local.com denies the allegations contained in paragraph 25 of the cross-claim which purport to describe the agreement between the parties, except admits that Local.com and Hearst entered into the Consent, and respectfully refers the Court to the full text of the document for a complete statement of its terms and provisions.

26. Local.com denies the allegations of paragraph 26 of the cross-claim.

27. Local.com lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 27 of the cross-claim.

28. Local.com denies the allegations of paragraph 28 of the cross-claim.

29. Local.com denies the allegations of paragraph 29 of the cross-claim.

30. Local.com denies each and every allegation of the cross-claim not otherwise responded to in this answer.

First Affirmative Defense

31. Local.com denies that it breached any provision of the relevant agreements between the parties and any warranty contained therein.

Second Affirmative Defense

32. The cross-claim is barred by the equitable doctrines of unclean hands and laches because Hearst voluntarily participated in the transaction for which it seeks to impose liability on Local.com.

Third Affirmative Defense

33. The cross-claim is barred by the equitable doctrines of estoppel and waiver because Hearst voluntarily participated in the transaction for which it seeks to impose liability on Local.com.

Fourth Affirmative Defense

34. The cross-claim fails to state a claim for relief because Local.com is only a nominal defendant under Section 16(b) of the Securities Exchange Act of 1934, as amended, 15 U.S.C. § 78p(b), and Hearst is precluded from defeating this regulatory scheme with a cross-claim against the issuer.

Fifth Affirmative Defense

35. The cross-claim fails to state a claim for damages to the extent any damages sought are based on or depend on any recovery obtained from Hearst pursuant to Section 16(b).

WHEREFORE, Local.com respectfully prays for judgment dismissing each of the purported causes of action asserted against them in the cross-claim, and for such other and further relief as is just and proper.

Dated: January 28, 2008
New York, NY

KRAMER LEVIN NAFTALIS & FRANKEL LLP
Attorneys for Nominal Defendant and Cross-
Defendant Local.com

By: 

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